



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

CITY OF EVANSVILLE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2012

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**City of Evansville
Table of Contents
December 31, 2012**

	Page
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i - x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position.....	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6
Statement of Net Position – Proprietary Funds	7-8
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	9
Statement of Cash Flows – Proprietary Funds	10-11
Statement of Fiduciary Net Position – Fiduciary Funds	12
Notes to the Financial Statements	13-43
REQUIRED SUPPLEMENTARY INFORMATION:	
Major Funds	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund	44
OTHER SUPPLEMENTARY INFORMATION:	
Non-Major Funds	
Combining Statements	
Balance Sheet – Non-Major Governmental Funds.....	45
Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	46



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 17, 2013

To the City Council
City of Evansville
Evansville, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Evansville, Wisconsin, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Evansville, which represents all of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Evansville, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Evansville, Wisconsin, as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

New Accounting Policies

As discussed in Note 1 to the financial statements, in 2012 the City of Evansville adopted new accounting guidance. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through viii and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansville's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2012

As management of the City of Evansville, we offer readers of the City of Evansville financial statements this narrative overview and analysis of the financial activities of the City of Evansville for the fiscal year ended December 31, 2012. We encourage the reader to consider the information presented here in conjunction with the Independent Auditor's Report at the front of this report and the City's financial statements, which immediately follow this section.

THE FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net position. You can think of this relationship between revenues and expenses as the City's operating results. You can think of the City's net position, as measured in the Statement of Net Position, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, in assessing the overall health of our City.

- The assets of the primary government of the City of Evansville exceeded its liabilities as of December 31, 2012, by \$25,691,040 (net position). Of this amount, \$2,193,123 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total general fund expenditures for operations were \$140,172 less than budgeted.
- General fund revenues were over budgeted amounts by \$19,924.
- As of December 31, 2012, the City of Evansville's governmental funds reported combined ending fund balances of \$1,051,137.
- As of December 31, 2012, the unassigned fund balance for the general fund was \$1,362,625, or approximately 49 percent of total general fund expenditures.
- The City of Evansville's governmental liability for long-term debt including compensated absences, accrued interest and long-term debt was \$6,805,506. The business-type debt totaled \$10,963,530.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Evansville's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are the *Statement of Net Position* and *Statement of Activities*. These statements present an aggregate view of the City's finances in a manner similar to private-sector business. The government-wide financial statements can be found on pages 1 and 2 of this report.

- The *statement of net position* presents information on all of the City of Evansville's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Evansville is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Evansville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Evansville include general government, public safety, public works, health and human services, parks and recreation, and conservation and development. The business-type activities of the City of Evansville include the Water and Light Utility, Wastewater Treatment Plant or sanitary sewer utility, and a Stormwater Utility.

The government-wide financial statements include only the activities of the City of Evansville. The Evansville Housing Authority is considered to be a component unit of the City of Evansville for reporting purposes.

Fund financial statements. The City also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the City-wide statements and provide information that may be useful in evaluating a City's short-term financing requirements. There are two fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund statements focus on short-term inflows and outflows of expendable resources and their impact on fund balance.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Evansville maintains ten individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service, Capital Projects and TIF 5 funds. Data from the remaining six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

The City of Evansville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Water and Light Committee) and the sewer utility (Public Works Committee), which are considered to be major funds of the City of Evansville. The storm-water fund is non-major. The basic proprietary fund financial statements can be found on pages 7 through 11 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Evansville's programs. The fiduciary fund maintained by the City of Evansville is the Tax Collection Agency Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Evansville. The basic fiduciary fund financial statement can be found on page 12 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 42 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 44 and 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1, below, provides a summary of the City's net position for the year ended December 31, 2012.

TABLE 1
City of Evansville Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 4,531,693	\$4,985,263	\$ 5,198,895	\$ 5,041,473	\$ 9,730,588	\$10,026,736
Capital assets	7,883,714	7,862,436	30,062,051	30,859,217	37,945,765	38,721,653
Total Assets	12,415,407	12,847,699	35,260,946	35,900,690	47,676,353	48,748,389
Long-term liabilities outstanding	6,154,034	6,602,335	10,164,711	10,748,622	16,318,745	17,350,957
Other liabilities	906,552	3,887,137	1,383,464	2,114,379	2,290,016	6,001,516
Total Liabilities	7,060,586	10,489,472	11,548,175	12,863,001	18,608,761	23,352,473
Deferred Inflows of Resources	2,784,482	-	592,070	-	3,376,552	-
Net Position:						
Net investment in capital assets	2,677,588	2,129,985	19,943,918	19,933,547	22,621,506	22,063,532
Restricted	-	157,959	876,411	1,579,089	876,411	1,737,048
Unrestricted	(107,249)	70,283	2,300,372	1,525,053	2,193,123	1,595,336
Total Net Position	\$ 2,570,339	\$2,358,227	\$23,120,701	\$23,037,689	\$25,691,040	\$25,395,916

A significant portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$1,444,093, may be used to meet the City's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2, below, provides a summary of the City's operating results and their impact on net position for the year ended December 31, 2012. In 2012, the governmental activities relied primarily on property taxes (54%), program revenues (34%) and state aids (11%) to fund its operations. Combined, these account for 99% of all revenues or \$4.36 million. Business-type activities relied primarily on program revenues to fund its operations. Utility charges accounted for 98% of business-type revenues.

**TABLE 2
City of Evansville's Change in Net Position
2012 and 2011**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,036,249	\$ 994,525	\$ 9,648,477	\$ 9,471,128	\$ 10,684,726	\$ 10,465,653
Operating Grants and Contributions	450,775	686,817	15,189	18,155	465,964	704,972
Capital Grants and Contributions	6,801	50,673	55,823	235,697	62,624	286,370
General Revenues:						
Property Taxes	2,389,816	2,422,109	-	-	2,389,816	2,422,109
Grants and Contributions Not Restricted to Specific Programs	471,754	512,817	-	-	471,754	512,817
Unrestricted Interest/Investment Income	20,842	24,865	71,271	69,008	92,113	93,873
Other- Loss on Sale of Capital Assets	-	136,159	-	10,000	-	146,159
Miscellaneous	29,564	31,013	30,603	21,011	60,167	52,024
Total Revenues	4,405,801	4,858,978	9,821,363	9,824,999	14,227,164	14,683,977
Expenses:						
General Government	544,148	536,229	-	-	544,148	536,229
Public Safety	1,862,001	1,738,285	-	-	1,862,001	1,738,285
Public Works	904,061	967,052	-	-	904,061	967,052
Health & Human Services	141,426	136,214	-	-	141,426	136,214
Recreation and Education	632,863	645,826	-	-	632,863	645,826
Conservation and Development	59,989	258,903	-	-	59,989	258,903
Interest on Long-Term Debt	395,457	404,107	-	-	395,457	404,107
Electric and Water	-	-	8,194,531	8,333,322	8,194,531	8,333,322
Sewer	-	-	928,111	739,035	928,111	739,035
Storm-water	-	-	79,818	64,385	79,818	64,385
Total Expenses	4,539,945	4,686,616	9,202,460	9,136,742	13,742,405	13,823,358
Increase (Decrease) in Net Position						
Before Transfers	(134,144)	172,362	618,903	688,257	484,759	860,619
Transfers	423,695	406,892	(423,695)	(406,892)	-	-
Increase (Decrease) in Net Position	289,551	579,254	195,208	281,365	484,759	860,619
Net Position - January 1	2,358,227	1,778,973	23,037,689	22,756,324	25,395,916	24,535,297
Restatement of Net Position	(77,439)	-	(112,194)	-	(189,633)	-
Net Position - December 31	\$ 2,570,339	\$ 2,358,227	\$ 23,120,703	\$ 23,037,689	\$ 25,691,042	\$ 25,395,916

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities: Governmental activities increased the City's net position by \$289,551. A key element of this increase is that general fund expenses were under budget by \$140,172.

Business-type activities: Business-type activities increased City of Evansville's net position by \$195,206. Key elements of this increase are as follows:

- The City's electric and water utility had operating income of \$857,196 before an operating transfer out for the tax equivalent of \$423,695.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The focus of City of Evansville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of December 31, 2012, the City's governmental funds reported combined ending fund balances of \$1,051,137, a decrease of \$177,616 from the prior year. Of the combined ending fund balance, \$1,424,723 is nonspendable, \$141,222 is restricted, \$296,686 is committed, and \$707,744 is assigned. The net deficit of (\$1,519,238) in unassigned fund balance is due mainly to the TIF 5 deficit of (\$1,823,584). This deficit has been financed by advances from the general fund, electric and water utility and sewer fund.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$1,362,625, while total fund balance reached \$2,294,499. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 49% of total general fund expenditures, while total fund balance represents 83% of that same amount.

During the current year, the City's general fund balance increased by \$158,199. Key factors in this increase are as follows:

- The total revenues were \$19,924 over budgeted amounts and expenditures were \$140,172 under budget.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Proprietary funds. City of Evansville's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail.

Operating revenues increased \$163,245 from 2011. The main reason for the increase was due to the electric and water utility's operating revenues being up \$187,577.

Operating expenses increased by approximately \$75,430.

The Electric and Water Utility had an increase in net position of \$294,940 in 2012 after deducting a transfer of \$423,695 to the City's General Fund. Net position was \$12,625,451 as of December 31, 2012.

The Wastewater Treatment Plant Utility (Sewer Fund) had a decrease in net position of \$191,981 in 2012. Net position was \$10,051,099 as of December 31, 2012.

The storm-water utility had an increase in net position of \$92,249 in 2012. Net position was \$444,151 as of December 31, 2012.

The Electric and Water Utility's outstanding debt at December 31, 2012 was \$6,468,300, a decrease of \$456,800 over the balance at December 31, 2011. Fixed assets, net of accumulated depreciation, of \$16,752,877 decreased \$387,159 from 2011.

The Wastewater Treatment Plant Utility's outstanding debt at December 31, 2012 was \$4,305,930, a decrease of \$101,240 from the balance at December 31, 2011. Fixed assets, net of accumulated depreciation, of \$13,061,600 decreased \$415,882 from 2011.

The Storm-water utility has fixed assets, net of accumulated depreciation, of \$247,574 as of December 31, 2012, which increased \$5,875 from 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Evansville's general fund expenditures had an original budget of \$2,888,873 and final amended budget of \$2,897,287, amounting to neither an increase or decrease in appropriations. Actual expenditures totaled \$2,777,039. Budgeted differences can be briefly summarized as follows:

- Actual expenditures were less than budgeted expenditures by \$140,172. The majority were in the general government area (\$10,994 less than budget) and public works (\$98,324 less than budget).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. City of Evansville’s investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$37,945,765 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, public domain infrastructure (highway and bridges), and construction in progress.

- A summary of the fixed assets is identified below:

City of Evansville Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
	2012	2011	2012	2011	2012	2011
Land	\$ 521,756	\$ 521,756	\$ 171,362	171,362	\$ 693,118	\$ 693,118
Infrastructure Work in Process	12,898	121,012	329,532	175,278	342,430	296,290
Other Work in Process	28,920	-	-	-	28,920	-
Depreciable Capital Assets	11,992,691	11,472,636	40,403,682	40,309,586	52,396,373	51,782,222
Accumulated depreciation	(4,672,551)	(4,252,968)	(10,842,525)	(9,797,009)	(15,515,076)	(14,049,977)
Total	\$7,883,714	\$ 7,862,436	\$30,062,051	\$30,859,217	\$37,945,765	\$38,721,653

The significant capital additions in 2012 included computer system upgrades, ambulance and other vehicle purchases, and work in progress for and capitalizing of the Allen Creek bridge project. Additional information on the City of Evansville’s capital assets can be found in Note IV-B on pages 27-29 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term debt. At the end of the current fiscal year, the City of Evansville had total debt outstanding of \$17,627,267. Of this amount, \$6,986,625 was backed by the full faith of the City.

	City of Evansville Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
2003A GO Notes	\$ 41,700	\$ 82,900	\$ 58,300	\$ 117,100	\$ 100,000	\$ 200,000
2003B GO Notes	62,000	117,000	143,000	288,000	205,000	405,000
2005 GO Notes	945,448	1,152,985	79,552	97,015	1,025,000	1,250,000
2007 GO Comm. Dev. Bonds	930,000	930,000	-	-	930,000	930,000
2007 GO Comm. Dev. Bonds	2,650,000	2,715,000	-	-	2,650,000	2,715,000
2009 GO Refunding Notes	1,055,000	1,105,000	-	-	1,055,000	1,105,000
2007 STFL	-	450,625	-	-	-	450,625
2008 STFL	-	45,607	-	-	-	45,607
2011 STFL	120,725	144,000	-	-	120,725	144,000
2011 STFL	143,900	159,000	-	-	143,900	159,000
2005 CWFL	-	-	1,124,677	1,197,853	1,124,677	1,197,853
2009 CWFL	-	-	2,983,194	2,977,636	2,983,194	2,977,636
2005 Mortgage Revenue Bonds	-	-	2,700,000	2,800,000	2,700,000	2,800,000
2007 Mortgage Revenue Bonds	-	-	2,365,000	2,465,000	2,365,000	2,465,000
2009 Water Revenue Bonds	-	-	905,000	925,000	905,000	925,000
2010 WPPI Loan	-	-	118,507	134,666	118,507	134,666
2011 WPPI Loan	29,745	33,144	-	-	29,745	33,144
2008 Capital Lease	-	47,815	-	-	-	47,815
2011 GO Notes	-	-	297,000	330,000	297,000	330,000
2012 GO Bond	460,000	-	-	-	460,000	-
Compensated absences	287,826	211,799	126,693	119,340	414,519	331,139
Total	\$ 6,726,344	\$ 7,194,875	\$ 10,900,923	\$ 11,451,610	\$ 17,627,267	\$ 18,646,485

The City is rated by Moody's Investors Service as A+/stable for its general obligation debt.

Additional information on the City's long-term debt can be found in Note III-D on pages 32-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City of Evansville's Mayor and Common Council adopted a general fund budget for the year 2013 which is a increase of 2.6% over the adopted budget of the previous year.
- The property tax rate decreased from \$6.87257 to \$6.81052 per \$1,000 assessed valuation.
- The City's financial results are dependent on two main factors:
 - Having sufficient growth in tax base from new construction to produce sufficient revenue to cover increased costs of current service levels without needing to increase the City's mill rate on assessed value.
 - Being able to provide high-quality services to a growing population while putting off increases in staffing as long as possible.
- Where appropriate, services should be funded by reasonable user charges.

All of these factors were considered in preparing the City's budget for the 2013 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Evansville's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Evansville Finance Department, 31 South Madison Street, Evansville, Wisconsin, 53536. General information relating to the City of Evansville, Wisconsin, can be found at the City's website, <http://www.ci.evansville.wi.gov>.

City of Evansville, Wisconsin

**Statement of Net Position
December 31, 2012**

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Investments	\$ 2,001,822	\$ 1,146,081	\$ 3,147,903	\$ 503,909
Restricted Cash	-	1,635,813	1,635,813	-
Receivables	3,233,956	1,411,320	4,645,276	271,901
Internal Balances	(742,472)	742,472	-	-
Inventories	-	230,643	230,643	-
Other assets	38,387	32,566	70,953	3,937
Capital Assets				
Land, improvements, and construction in progress	563,574	500,895	1,064,469	25,758
Other Capital Assets, net of depreciation	7,320,140	29,561,156	36,881,296	242,233
Net Capital Assets	<u>7,883,714</u>	<u>30,062,051</u>	<u>37,945,765</u>	<u>267,991</u>
Total Assets	<u>\$ 12,415,407</u>	<u>\$ 35,260,946</u>	<u>\$ 47,676,353</u>	<u>\$ 1,047,738</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 255,080	\$ 584,645	\$ 839,725	\$ 20,305
Long-term liabilities				
Due within one year				
Bonds, notes and capital leases	530,377	723,805	1,254,182	-
Accrued interest	79,162	62,607	141,769	-
Compensated Absences	41,933	12,407	54,340	20,260
Due in more than one year				
Bonds, notes and capital leases	5,908,141	10,050,425	15,958,566	-
Compensated absences	245,893	114,286	360,179	-
Total liabilities	<u>7,060,586</u>	<u>11,548,175</u>	<u>18,608,761</u>	<u>40,565</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,784,482</u>	<u>592,070</u>	<u>3,376,552</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	2,677,588	19,943,918	22,621,506	267,991
Restricted for:				
Other Purposes	-	876,411	876,411	21,233
Unrestricted	(107,249)	2,300,372	2,193,123	717,949
Total net position	<u>2,570,339</u>	<u>23,120,701</u>	<u>25,691,040</u>	<u>1,007,173</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 12,415,407</u>	<u>\$ 35,260,946</u>	<u>\$ 47,676,353</u>	<u>\$ 1,047,738</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 544,148	\$ 119,285	\$ -	\$ -	\$ (424,863)		\$ (424,863)	
Public Safety	1,862,001	501,709	66,275	-	(1,294,017)		(1,294,017)	
Public Works	904,061	267,597	317,066	6,185	(313,213)		(313,213)	
Health, Welfare and Sanitation	141,426	30,365	-	-	(111,061)		(111,061)	
Culture and Recreation	632,863	114,520	61,184	616	(456,543)		(456,543)	
Conservation and Development	59,989	2,773	6,250	-	(50,966)		(50,966)	
Interest on Long-term debt	395,457	-	-	-	(395,457)		(395,457)	
Total governmental activities	<u>4,539,945</u>	<u>1,036,249</u>	<u>450,775</u>	<u>6,801</u>	<u>(3,046,120)</u>		<u>(3,046,120)</u>	
Business-type activities:								
Electric and Water	8,194,531	8,800,487	-	28,969	-	634,925	634,925	
Sewer	928,111	677,467	15,189	26,854	-	(208,601)	(208,601)	
Stormwater	79,818	170,523	-	-	-	90,705	90,705	
Total business-type activities	<u>9,202,460</u>	<u>9,648,477</u>	<u>15,189</u>	<u>55,823</u>	<u>-</u>	<u>517,029</u>	<u>517,029</u>	
Total primary government	<u>\$ 13,742,405</u>	<u>\$ 10,684,726</u>	<u>\$ 465,964</u>	<u>\$ 62,624</u>	<u>(3,046,120)</u>	<u>517,029</u>	<u>(2,529,091)</u>	
Component Units								
Housing Authority	\$ 497,236	\$ 69,479	\$ 387,205	\$ -				\$ (40,552)
Total component units	<u>\$ 497,236</u>	<u>\$ 69,479</u>	<u>\$ 387,205</u>	<u>\$ -</u>				<u>\$ (40,552)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,990,652	-	1,990,652	-
Property taxes, levied for debt service					386,113	-	386,113	-
Other taxes					13,051	-	13,051	-
Grants and contributions not restricted to specific programs					471,754	-	471,754	-
Unrestricted investment earnings					20,842	71,271	92,113	3,632
Miscellaneous					29,564	30,603	60,167	-
Transfers					423,695	(423,695)	-	-
Total general revenues and transfers					<u>3,335,671</u>	<u>(321,821)</u>	<u>3,013,850</u>	<u>3,632</u>
Change in Net position					289,551	195,208	484,759	(36,920)
Net position - beginning (restated)					2,280,788	22,925,493	25,206,281	1,044,093
Net position - ending					<u>\$ 2,570,339</u>	<u>\$ 23,120,701</u>	<u>\$ 25,691,040</u>	<u>\$ 1,007,173</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

Balance Sheet
Governmental Funds
December 31, 2012

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>TIF 5</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 1,185,725	\$ 69,031	\$ -	\$ -	\$ 747,066	\$ 2,001,822
Receivables:						
Taxes	1,192,268	341,454	172,981	208,513	491,253	2,406,469
Special Assessments	256,177	43,604	-	-	165,076	464,857
Accounts	-	-	-	-	40,578	40,578
Loans	280,000	-	-	-	-	280,000
Other	39,732	-	2,320	-	-	42,052
Due from Other Funds	423,695	-	-	-	-	423,695
Prepaid Expenses	29,002	-	-	-	9,384	38,386
Advances Receivable	949,125	579,706	-	-	432,354	1,961,185
Total Assets	<u>\$ 4,355,724</u>	<u>\$ 1,033,795</u>	<u>\$ 175,301</u>	<u>\$ 208,513</u>	<u>\$ 1,885,711</u>	<u>\$ 7,659,044</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 151,405	\$ -	\$ 48,537	\$ 592	\$ 9,818	\$ 210,352
Accrued Liabilities	32,632	-	-	-	12,099	44,731
Due to Other Funds	39,755	25,458	-	-	-	65,213
Advances Payable	-	-	1,012,059	1,810,143	239,932	3,062,134
Total Liabilities	<u>223,792</u>	<u>25,458</u>	<u>1,060,596</u>	<u>1,810,735</u>	<u>261,849</u>	<u>3,382,430</u>
Deferred Inflows of Resources	<u>1,837,433</u>	<u>371,432</u>	<u>172,984</u>	<u>221,362</u>	<u>622,266</u>	<u>3,225,477</u>
Fund Balances (Deficit)						
Nonspendable	845,017	579,706	-	-	-	1,424,723
Restricted	86,857	-	-	-	54,365	141,222
Committed	-	-	-	-	296,686	296,686
Assigned	-	57,199	-	-	650,545	707,744
Unassigned	1,362,625	-	(1,058,279)	(1,823,584)	-	(1,519,238)
Total Fund Balances (Deficit)	<u>2,294,499</u>	<u>636,905</u>	<u>(1,058,279)</u>	<u>(1,823,584)</u>	<u>1,001,596</u>	<u>1,051,137</u>
Total Liabilities, Deferred Inflows and Fund Balances (Deficit)	<u>\$ 4,355,724</u>	<u>\$ 1,033,795</u>	<u>\$ 175,301</u>	<u>\$ 208,513</u>	<u>\$ 1,885,711</u>	<u>\$ 7,659,044</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012**

Total fund balance, governmental funds		\$ 1,051,137
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		7,883,714
<p>Special assessment and loan receivables are fully accrued and recognized as revenue when the receivable is established for the governmental activities of the Statement of Net Position. They are reported as deferred inflows in the fund financial statements to the extent they are not available.</p>		440,994
<p>Some liabilities (such as Notes Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		
Bonds and notes - due within one year	530,377	
Bonds and notes - due in more than one year	5,908,141	
Compensated absences - current	41,933	
Compensated absences - non-current	245,893	
Accrued interest	79,162	
	(6,805,506)	
Net Position of Governmental Activities in the Statement of Net Position		\$ 2,570,339

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>TIF 5</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property Taxes	\$ 1,060,672	\$ 386,113	\$ 209,866	\$ 226,303	\$ 493,811	\$ 2,376,765
Other Taxes	13,051	-	-	-	-	13,051
Special Assessment Revenue	-	16,980	-	-	26,203	43,183
Intergovernmental	795,061	-	56,000	2,151	133,873	987,085
License and Permits	87,946	-	-	-	-	87,946
Fines, Forfeits and Penalties	111,422	-	-	-	-	111,422
Public Charges for Services	381,725	-	-	-	332,762	714,487
Interest Income	14,156	3,561	157	-	8,890	26,764
Miscellaneous Income	47,510	18,600	616	250	15,117	82,093
Total Revenues	<u>2,511,543</u>	<u>425,254</u>	<u>266,639</u>	<u>228,704</u>	<u>1,010,656</u>	<u>4,442,796</u>
EXPENDITURES						
Current:						
General Government	494,677	-	-	2,700	3,178	500,555
Public Safety	1,339,982	-	-	-	367,584	1,707,566
Public Works	610,056	-	-	-	-	610,056
Health and Human Services	32,110	-	-	-	100,742	132,852
Culture, Recreation and Education	255,049	-	-	-	250,945	505,994
Conservation and Development	45,165	-	-	-	84	45,249
Capital Outlay	-	-	533,422	93,118	8,740	635,280
Principal Repayment	-	956,743	-	-	-	956,743
Interest Expense	-	316,831	-	84,666	8,314	409,811
Total Expenditures	<u>2,777,039</u>	<u>1,273,574</u>	<u>533,422</u>	<u>180,484</u>	<u>739,587</u>	<u>5,504,106</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(265,496)</u>	<u>(848,320)</u>	<u>(266,783)</u>	<u>48,220</u>	<u>271,069</u>	<u>(1,061,310)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-Term Debt	-	-	-	460,000	-	460,000
Transfers In	423,695	838,318	72,250	-	-	1,334,263
Transfers Out	-	-	-	(680,845)	(229,724)	(910,569)
Total Other Financing Sources and Uses	<u>423,695</u>	<u>838,318</u>	<u>72,250</u>	<u>(220,845)</u>	<u>(229,724)</u>	<u>883,694</u>
Net Change in Fund Balances	158,199	(10,002)	(194,533)	(172,625)	41,345	(177,616)
Fund Balances (Deficits) - Beginning	2,136,300	646,907	(863,746)	(1,650,959)	960,251	1,228,753
Fund Balances (Deficits) - Ending	<u>\$ 2,294,499</u>	<u>\$ 636,905</u>	<u>\$ (1,058,279)</u>	<u>\$ (1,823,584)</u>	<u>\$ 1,001,596</u>	<u>\$ 1,051,137</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2012

Net change in fund balances - total governmental funds: \$ (177,616)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	594,437
Depreciation expenses reported in the statement of activities	<u>(573,160)</u>

Amount by which capital outlays are greater (less) than depreciation in the current period.	21,277
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Compensated absences are reported in the governmental funds as an expenditure when paid, but are reported as a liability in long-term debt in the statement of Net Position when incurred.

Amount by which the compensated absences liability (increased)	(76,025)
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

Debt proceeds for the year	(460,000)
The amount of long-term debt principal payments in the current year is:	956,743
The amount of long-term debt lease payments in the current year is:	47,815

In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.

Interest accrual change	14,354
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In governmental funds, revenues are reported when measurable and available. In the statements of activities, revenue is reported when earned.

Special assessments	(36,997)
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Change in Net Position of governmental activities	<u>\$ 289,551</u>
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See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

Statement of Net Position
Proprietary Funds
December 31, 2012

	Enterprise Funds			
	Electric and Water	Sewer	Stormwater	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 372,908	\$ 502,422	\$ 270,751	\$ 1,146,081
Receivables				
Special Assessments	1,788	-	-	1,788
Accounts	1,407,954	-	-	1,407,954
Due from Other Funds	149,308	116,442	21,524	287,274
Inventories	230,643	-	-	230,643
Prepaid Expenses	17,144	14,573	849	32,566
Total Current Assets	<u>2,179,745</u>	<u>633,437</u>	<u>293,124</u>	<u>3,106,306</u>
Restricted:				
Restricted Cash and Cash Equivalents	895,613	740,200	-	1,635,813
Total Restricted Assets	<u>895,613</u>	<u>740,200</u>	<u>-</u>	<u>1,635,813</u>
Capital Assets:				
Land and Improvements	76,448	94,914	-	171,362
Construction Work in Progress	312,805	16,727	-	329,532
Other Capital Assets	24,205,018	15,913,035	285,629	40,403,682
Less Accumulated Depreciation	(7,841,394)	(2,963,076)	(38,055)	(10,842,525)
Net Capital Assets	<u>16,752,877</u>	<u>13,061,600</u>	<u>247,574</u>	<u>30,062,051</u>
Noncurrent Assets				
Advances Receivable	891,653	304,654	-	1,196,307
Special Assessments	-	1,582	-	1,582
Total Noncurrent Assets	<u>891,653</u>	<u>306,236</u>	<u>-</u>	<u>1,197,889</u>
TOTAL ASSETS	<u>\$ 20,719,888</u>	<u>\$ 14,741,473</u>	<u>\$ 540,698</u>	<u>\$ 36,002,059</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

Statement of Net Position
 Proprietary Funds
 December 31, 2012

	Enterprise Funds			
	Electric and Water	Sewer	Stormwater	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 513,404	\$ 6,660	\$ 321	\$ 520,385
Accrued Liabilities	102,974	23,024	870	126,868
Due to Other Funds	536,200	109,556	-	645,756
Compensated Absences	11,010	1,397	-	12,407
Current Portion of Long-Term Debt:				
Advance Payables	-	-	95,356	95,356
Bonds and Notes Payable	474,300	249,505	-	723,805
Total Current Liabilities	1,637,888	390,142	96,547	2,124,577
Non-Current Liabilities:				
Long-Term Debt				
Bonds and Notes Payable	5,994,000	4,056,425	-	10,050,425
Total Long-Term Debt	5,994,000	4,056,425	-	10,050,425
Other Liabilities				
Compensated Absences	78,379	35,907	-	114,286
Total Other Liabilities	78,379	35,907	-	114,286
Total Non-Current Liabilities	6,072,379	4,092,332	-	10,164,711
Total Liabilities	7,710,267	4,482,474	96,547	12,289,288
DEFERRED INFLOWS OF RESOURCES	384,170	207,900	-	592,070
NET POSITION				
Net Investment in Capital Assets	10,631,907	8,755,670	247,574	19,635,151
Restricted Assets	136,211	740,200	-	876,411
Unrestricted	1,857,333	555,229	196,577	2,609,139
Total Net Position	12,625,451	10,051,099	444,151	23,120,701
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 20,719,888	\$ 14,741,473	\$ 540,698	\$ 36,002,059

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended December 31, 2012

	Enterprise Funds			Total
	Electric and Water	Sewer	Stormwater	
OPERATING REVENUES				
Charges for Services	\$ 8,770,083	\$ 699,967	\$ 170,523	\$ 9,640,573
Other Operating Revenues	2,202	19,434	1,544	23,180
Total Operating Revenues	<u>8,772,285</u>	<u>719,401</u>	<u>172,067</u>	<u>9,663,753</u>
OPERATING EXPENSES				
Operation and Maintenance	7,272,536	392,346	63,180	7,728,062
Depreciation	642,553	425,602	13,790	1,081,945
Total Operating Expenses	<u>7,915,089</u>	<u>817,948</u>	<u>76,970</u>	<u>8,810,007</u>
Operating Income (Loss)	<u>857,196</u>	<u>(98,547)</u>	<u>95,097</u>	<u>853,746</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and Investment Revenue	55,339	16,039	-	71,378
Miscellaneous Non-Operating Revenue	28,202	688	-	28,890
Interest Expense	(279,441)	(110,161)	(2,848)	(392,450)
Amortization Revenue (Expense)	28,370	-	-	28,370
Total Non-Operating Revenue (Expenses)	<u>(167,530)</u>	<u>(93,434)</u>	<u>(2,848)</u>	<u>(263,812)</u>
Income (Loss) Before Contributions and Transfers	689,666	(191,981)	92,249	589,934
Capital Contributions	28,969	-	-	28,969
Transfers Out	(423,695)	-	-	(423,695)
Change in Net Position	<u>294,940</u>	<u>(191,981)</u>	<u>92,249</u>	<u>195,208</u>
Total Net Position - Beginning (Restated)	12,330,511	10,243,080	351,902	22,925,493
Total Net Position - Ending	<u>\$ 12,625,451</u>	<u>\$ 10,051,099</u>	<u>\$ 444,151</u>	<u>\$ 23,120,701</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012**

	Enterprise Funds			Total
	Electric & Water	Sewer	Stormwater	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers	\$ 8,743,558	\$ 771,767	\$ 186,371	\$ 9,701,696
Payments to suppliers	(6,738,238)	(260,726)	(22,527)	(7,021,491)
Payments to employees	(753,083)	(109,854)	(39,516)	(902,453)
Taxes paid	(423,695)	-	-	(423,695)
Net cash provided (used) by operating activities	<u>828,542</u>	<u>401,187</u>	<u>124,329</u>	<u>1,354,058</u>
<u>Cash Flows From Capital and Related</u>				
<u>Financing Activities:</u>				
Acquisition and construction of plant assets	(257,220)	-	(19,665)	(276,885)
Advances paid	-	-	(13,622)	(13,622)
Proceeds from long-term debt	-	142,870	-	142,870
Principal payments on long-term debt	(456,800)	(244,110)	-	(700,910)
Deferred charges	577	-	-	577
Interest and fiscal charges	(279,441)	(110,161)	(2,848)	(392,450)
Contributions for plant	<u>28,969</u>	<u>-</u>	<u>-</u>	<u>28,969</u>
Net cash provided (used) for capital and related financing activities	<u>(963,915)</u>	<u>(211,401)</u>	<u>(36,135)</u>	<u>(1,211,451)</u>
<u>Cash Flows From Investing Activities:</u>				
Interest on investments	<u>55,339</u>	<u>16,039</u>	<u>-</u>	<u>71,378</u>
Net cash provided (used) for investing activities	<u>55,339</u>	<u>16,039</u>	<u>-</u>	<u>71,378</u>
Net increase (decrease) in cash and equivalents	(80,034)	205,825	88,194	213,985
Cash and equivalents - beginning of year	<u>1,348,555</u>	<u>1,036,798</u>	<u>182,557</u>	<u>2,567,910</u>
Cash and equivalents - end of year	<u>\$ 1,268,521</u>	<u>\$ 1,242,623</u>	<u>\$ 270,751</u>	<u>\$ 2,781,895</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012**

	Enterprise Funds			Total
	Electric & Water	Sewer	Stormwater	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 857,196	\$ (98,547)	\$ 95,097	\$ 853,746
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other Revenues	56,572	688	-	57,260
Tax equivalent	(423,695)	-	-	(423,695)
Depreciation	642,553	425,601	13,790	1,081,944
Joint meter allocation	9,718	(9,718)	-	-
Changes in Assets and Liabilities:				
Receivables	(28,727)	52,366	-	23,639
Advances receivable	(42,460)	(14,507)	14,304	(42,663)
Due to/from other funds	(65,139)	55,107	(3)	(10,035)
Inventories	(18,436)	-	-	(18,436)
Prepays	3,328	1,211	366	4,905
Accounts payable	(93,492)	3,803	221	(89,468)
Other Accrued liabilities	(68,876)	(14,817)	554	(83,139)
Net cash provided (used) by operating activities	<u>\$ 828,542</u>	<u>\$ 401,187</u>	<u>\$ 124,329</u>	<u>\$ 1,354,058</u>
Reconciliation of cash and cash equivalents to balance sheet accounts				
Cash and investments	\$ 372,908	\$ 502,422	\$ 270,751	\$ 1,146,081
Restricted assets	895,613	740,200	-	1,635,813
Total Cash and Investments	<u>1,268,521</u>	<u>1,242,622</u>	<u>270,751</u>	<u>2,781,894</u>
Cash and cash equivalents- End of year	<u>\$ 1,268,521</u>	<u>\$ 1,242,622</u>	<u>\$ 270,751</u>	<u>\$ 2,781,894</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,285,671
Receivables:	
Taxes Receivable	4,087,117
Total Assets	<u>\$ 6,372,788</u>
 LIABILITIES	
Due to Other Governments	\$ 6,372,788
Total Liabilities	<u>\$ 6,372,788</u>

See accompanying notes to the basic financial statements.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

I. NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Evansville, Wisconsin conform to U.S. generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds of the City of Evansville. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Unit

The Evansville Housing Authority

The Housing Authority is a legally separate organization. The City mayor appoints the board of the Housing Authority. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the Housing Authority, and also create a potential financial benefit or burden on the City. The financial statements of the Housing Authority have been added to the City's statements as a discretely presented component unit. This information can be found on the Statement of Net Position and the Statement of Activities. The Authority issues separate financial statements. These can be obtained by contacting the Housing Authority.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

"Government-wide" financial statements are basic financial statements required for all governmental units. The statement of net position and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. In accordance with accounting standards for governmental units, the city uses the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting is the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note I.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, accounting standards concentrates on major funds versus non-major funds.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities, deferred inflows, net position/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, deferred inflows and outflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets, liabilities, deferred inflows and outflows, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

Major Governmental

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise debt.

Capital Projects Fund – accounts for proceeds from long-term borrowings and other resources to be used for capital improvement projects.

Tax Increment Financing Districts #5 - accounts for proceeds from long-term borrowings and other resources to be used for capital improvement projects in the TIF boundaries.

The City reports the following enterprise funds:

Enterprise Funds

Electric and Water Utility – accounts for the operations of the electric and water system. (Major)

Sewer Utility – accounts for the operations of the sewer system. (Major)

Stormwater Utility- accounts for the operations the stormwater system (Non-Major)

The City reports the following non-major governmental funds:

Non-Major Governmental Funds

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Emergency Medical Services Fund

Eager Free Public Library Fund

Cemetery Fund

Capital Projects Funds - used to account for the proceeds of specific capital improvement projects that are legally restricted to expenditures for specific purposes.

TIF #6

TIF #7

TIF #8

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

In addition, the City reports the following fund types:

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Tax Collection Agency Fund is accounted for in the Agency Fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, electric, stormwater and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City, which are not available, are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the debt service fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the water, electric, and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City has implemented the new requirements for the year 2012 financial statements. The effects of the implementation of these standards are detailed in Note III.G.

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION OR EQUITY

1. Deposits and Investments

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the City's individual major funds, and in the aggregate for non-major and agency funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

See footnote III A for additional information.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)

2. Receivables (Continued)

Property tax calendar – 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible utility accounts receivable has been made for the water, electric and sewer utilities because they have the right by law to place delinquent bills on the tax roll.

A provision for uncollectible ambulance accounts receivable of \$15,990 has been made.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

The City has a loan receivable of \$280,000 secured by a mortgage to finance apartment renovations. The loan is payable in installments of \$11,200 for 25 years with no interest. Payments are deferred for five years following issuance of the first occupancy permits. The funds were secured by a CDBG grant that was recorded as City revenue to offset costs to fund the renovations. The loan repayment will be used to fund a revolving loan fund. A deferred inflow is recorded to offset the receivable in the general fund. The inflow has been accrued in the government-wide statements.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position. The City had the following restricted cash accounts:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Electric and water	\$ 759,402	Bond reserve 2005 MRB and 2009 Reserve bond
Electric and water	136,211	Water impact fees
Sewer	234,959	Hook-up fee
Sewer	505,240	Replacement fee
	<u>\$ 1,635,812</u>	

5. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year for general capital assets and infrastructure assets. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. After 1/1/04, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is not required. The City has not retroactively reported all infrastructure acquired by its governmental fund types. The infrastructure reported only includes additions since January 1, 2004.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest required to be capitalized during the current year. The cost of renewals and betterments relating to retirement units are added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)

5. Capital Assets (Continued)

Government-Wide Statements (Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 Years
Improvements	10-50 Years
Machinery and Equipment	3-50 Years
Infrastructure	25-50 Years
Water Utility	6.67-150 Years
Electric Utility	6.67-40 Years
Sewer Utility	5-100 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Compensated Absences

Under terms of employment, City employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

The balance in compensated absences is as follows:

	<u>Government</u>	<u>Business-type</u>
Compensated time-off liability	\$ 11,667	\$ 7,284
Accumulated sick leave	245,893	114,287
Vacation and holiday liability	30,266	5,122
	<u>\$ 287,826</u>	<u>\$ 126,693</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)

6. Compensated Absences (Continued)

City employees earn sick leave at various rates depending on the union or nonunion contracts. Employees can accumulate sick leave as follows:

Police	1,080 hours
DPW, Water & Light, Clerical	720 hours
Library	720 hours

One-half the accumulation in excess of 1,080 or 720 hours may be payable in cash at the end of each year or paid for health insurance in retirement at the option of the employee. Sick leave is payable upon termination at their current pay rate times one-half the accumulated sick days up to a maximum number of hours listed above.

7. Long-Term Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bond payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

8. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

9. Deferred Outflows and Inflows of Resources

Deferred outflow of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance. In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitation the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the City Council or a body or official to which the City Council has delegated the authority to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

When restricted and other fund balance resources are available for use, it is the city's policy to use restricted sources first, followed by committed, assigned and unassigned amounts respectively.

F. REVENUE RECOGNITION – ENTERPRISE FUNDS

The City of Evansville Sewer and Stormwater Utility user charges are regulated and established by the City Council. The City of Evansville Electric and Water Utilities operate under service rules, which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Public Service Commission. Billings are made to customers on a monthly basis for water, electric, stormwater and sewer service.

G. INCOME TAXES

The City of Evansville Utilities are municipal utilities. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for all governmental funds of the City.

The budgeted amounts include any amendments made. Transfers between departments and changes to the overall budget must be approved by City Council. Appropriations lapse at year-end unless specifically carried over. There were carryovers in the capital projects fund shown as designated fund balance.

Limitations on the City Tax Levy

As part of Wisconsin's Act 25 (2005), legislation was passed that limits the city's future tax levies. In 2008 this legislation was amended and extended. Generally, the city is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the percentage change in the city's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Some individual expenditure line items experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report. By function public safety expenditures exceeded the budget by \$18.

C. TAX INCREMENTAL FINANCING DISTRICTS

The City has four Tax Incremental Districts (TID). The transactions of the Districts are shown in the Capital Projects and Special Revenue Funds. TIDs are authorized by Section 66.1105 of the Wisconsin Statutes. It is a method by which the City can recover its project costs in designated districts of the City. Those costs are recovered through tax increments, which are placed on the tax rolls.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

NOTE III– DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents/Investments

As previously discussed, cash for City funds is pooled for investment purposes. At December 31, 2012, the cash and investments consist of the following:

Petty cash/cash on hand	\$ 1,639
Deposits with financial institutions	6,834,395
Wisconsin Local Government Investment Pool	160,398
RESCO stock certificates	44,967
Mutual fund	27,988
	<u>\$ 7,069,387</u>

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 3,147,903
Restricted cash	1,635,813

Fiduciary Funds:

Cash and investments	2,285,671
	<u>\$ 7,069,387</u>

Investments Authorized by Wisconsin Statutes

Investment of City funds is restricted by State statutes. Available investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

A. CASH AND CASH EQUIVALENTS/INVESTMENTS (continued)

- (7) Agreements in which a public depository agrees to repay funds advanced to it by the City plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. The City has \$160,398 invested in the Local Government Investment Pool (LGIP) which has an average maturity of 73 days. The City has Certificates of Deposit of \$14,160 that mature at varying dates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investments choices. As of December 31, 2012, the City's investment in the Wisconsin Local Government Investment Pool was not rated. On a scale of one to five stars, the Mutual Fund was rated four stars by Morningstar Ratings.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for demand accounts and \$250,000 for time accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. The city also has deposits at one of the financial institutions that are secured by collateral of \$7,285,000 held in the name of a third party agent.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

A. CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the City.

As of December 31, 2012, the City's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial credit risk as follows:

Uninsured and collateralized in agents name	\$ 5,994,560
Uninsured and uncollateralized	27,988
Total	<u>\$ 6,022,548</u>

B. CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended December 31, 2012 was as follows:

	Balance 01/01/12	Additions	Retirements	Balance 12/31/12
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 521,756	\$ -	\$ -	\$ 521,756
Infrastructure CWIP	121,012	93,118	(201,232)	12,898
Land Improvements CWIP	-	28,920	-	28,920
Total Non-Depreciable Capital Assets	<u>642,768</u>	<u>122,038</u>	<u>(201,232)</u>	<u>563,574</u>
Capital Assets being Depreciated				
Land Improvements	1,848,862	28,917	-	1,877,779
Buildings and Structures	2,730,380	6,150	-	2,736,530
Equipment	2,342,538	437,333	(153,577)	2,626,294
Infrastructure	4,550,856	201,232	-	4,752,088
Total Capital Assets being Depreciated	<u>11,472,636</u>	<u>673,632</u>	<u>(153,577)</u>	<u>11,992,691</u>
Total Capital Assets	12,115,404	795,670	(354,809)	12,556,265
Less Accumulated Depreciation	<u>(4,252,968)</u>	<u>(573,160)</u>	<u>153,577</u>	<u>(4,672,551)</u>
Capital Assets Net of Depreciation	<u>\$7,862,436</u>	<u>\$ 222,510</u>	<u>\$ (201,232)</u>	<u>\$7,883,714</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

B. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$ 37,910
Public Safety	84,486
Public Works	311,972
Health and Human Services	6,784
Culture, Recreation and Education	<u>132,008</u>

Total Governmental Activities Depreciation Expense \$ 573,160

	Balance 1/1/12	Additions	Retirements	Balance 12/31/12
Electric and Water				
Non-Depreciable Capital Assets:				
Land	\$ 76,448	\$ -	\$ -	\$ 76,448
Construction in progress	158,551	154,254	-	312,805
Total Non-Depreciable Capital Assets	<u>234,999</u>	<u>154,254</u>	<u>-</u>	<u>389,253</u>
Capital Assets being Depreciated				
Buildings and structures	685,091	-	-	685,091
Equipment	1,664,119	18,535	-	1,682,654
Infrastructure	21,781,377	92,325	(36,429)	21,837,273
Total Capital Assets being Depreciated	<u>24,130,587</u>	<u>110,860</u>	<u>(36,429)</u>	<u>24,205,018</u>
Total Capital Assets	<u>24,365,586</u>	<u>265,114</u>	<u>(36,429)</u>	<u>24,594,271</u>
Less Accumulated Depreciation	<u>(7,225,550)</u>	<u>(652,273)</u>	<u>36,429</u>	<u>(7,841,394)</u>
Capital Assets Net of Depreciation	<u><u>\$ 17,140,036</u></u>	<u><u>\$ (387,159)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,752,877</u></u>

	Balance 1/1/12	Additions	Retirements	Balance 12/31/12
Wastewater Treatment:				
Non-Depreciable Capital Assets:				
Land	\$ 94,914	\$ -	\$ -	\$ 94,914
Construction in progress	16,727	-	-	16,727
Total Non-Depreciable Capital Assets	<u>111,641</u>	<u>-</u>	<u>-</u>	<u>111,641</u>
Capital Assets being Depreciated				
Buildings and structures	4,837,057	-	-	4,837,057
Equipment	5,218,062	-	-	5,218,062
Infrastructure	5,857,916	-	-	5,857,916
Total Capital Assets being Depreciated	<u>15,913,035</u>	<u>-</u>	<u>-</u>	<u>15,913,035</u>
Total Capital Assets	<u>16,024,676</u>	<u>-</u>	<u>-</u>	<u>16,024,676</u>
Less Accumulated Depreciation	<u>(2,547,194)</u>	<u>(415,882)</u>	<u>-</u>	<u>(2,963,076)</u>
Capital Assets Net of Depreciation	<u><u>\$ 13,477,482</u></u>	<u><u>\$ (415,882)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,061,600</u></u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

B. CAPITAL ASSETS (Continued)

	Balance 1/1/12	Additions	Retirements	Balance 12/31/12
Stormwater:				
Capital Assets being Depreciated				
Land Improvements	119,741	19,665	-	139,406
Equipment	146,223	-	-	146,223
Total Capital Assets being Depreciated	265,964	19,665	-	285,629
Total Capital Assets	265,964	19,665	-	285,629
Less Accumulated Depreciation	(24,265)	(13,790)	-	(38,055)
Capital Assets Net of Depreciation	\$ 241,699	\$ 5,875	\$ -	\$ 247,574

	Balance 1/1/12	Additions	Retirements	Balance 12/31/12
Business-Type Activities				
Non-Depreciable Capital Assets:				
Land	\$ 171,362	\$ -	\$ -	\$ 171,362
Construction in progress	175,278	154,255	-	329,533
Total Non-Depreciable Capital Assets	346,640	154,255	-	500,895
Capital Assets being Depreciated				
Land improvements	119,741	19,664	-	139,405
Buildings and structures	5,522,148	-	-	5,522,148
Equipment	7,028,404	18,535	-	7,046,939
Infrastructure	27,639,293	92,325	(36,429)	27,695,189
Total Capital Assets being Depreciated	40,309,586	130,524	(36,429)	40,403,681
Total Capital Assets	40,656,226	284,779	(36,429)	40,904,576
Less Accumulated Depreciation	(9,797,009)	(1,081,945)	36,429	(10,842,525)
Capital Assets Net of Depreciation	\$ 30,859,217	\$ (797,166)	\$ -	\$ 30,062,051

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 177,427
Electric	474,846
Sewer	415,882
Stormwater	13,790
Total Business-Type Activities Depreciation Expense	\$ 1,081,945

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

C. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Interfund Receivables and Payables</u>			
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Electric and Water	\$ 423,695	Operations
Electric and water	General	39,755	Operations
Electric and water	Sewer	109,553	Operations
Stormwater	Electric and Water	21,524	Operations
Sewer	Electric and Water	90,984	Operations
Sewer	Debt service	25,458	Debt
Subtotal fund financial statements		\$ 710,969	

The principal purpose of these interfunds is due to pooled cash between the governmental funds. In addition, the general fund collects delinquent utility charges that the utilities have placed on the current tax roll. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

Interfund Advances

The City has the following interfund advances outstanding:

<u>Advances</u>			
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	EMS	\$ 118,382	Operations
General	TIF 5	613,836	Capital
General	TIF 6	121,551	Capital
General	Stormwater	95,356	Capital
Subtotal general fund		949,125	
Debt service	Capital	579,706	Capital
TIF 6	Capital	432,353	Capital
Electric and water	TIF 5	891,653	Capital
Sewer	TIF 5	304,654	Capital
Subtotal fund financial statements		\$ 3,157,491	
Total interfund receivables		\$ 710,969	
Total inter-fund advances		3,157,491	
less inter-fund eliminations		(3,125,988)	
Internal balances		\$ 742,472	

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

C. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)

The stormwater fund is set up for repayment with the general fund. Payments of \$16,470 per year include interest at 3.61%. None of the TIF advances are set up for repayment. The interest rate between the TIF 5, Special Revenue Fund and General Fund advances is 5.0% per year. No interest rates exist on the other advances. The advances to the TIF district are anticipated to be repaid from future tax increments.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>	<u>Purpose</u>
General	Electric and Water	\$ 423,695	Tax equivalent
Capital	EMS	72,250	Fund allocation
Debt service	TIF 5	680,845	Debt payments
Debt service	TIF 6	74,877	Debt payments
Debt service	TIF 7	47,538	Debt payments
Debt service	General	89	Debt payments
Debt service	TIF 8	34,969	Debt payments
Subtotal fund statements		1,334,263	
less inter-fund eliminations		(910,568)	
Total per government-wide statements		<u>\$ 423,695</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012 was as follows:

	Balance 1/1/12	Issued	Retired	Balance 12/31/12
Governmental Activities				
General obligation notes	\$ 2,457,885	\$ -	\$ 353,737	\$ 2,104,148
General obligation bonds	3,645,000	460,000	65,000	4,040,000
State trust fund loans	799,232	-	534,607	264,625
Total Governmental General Obligation Debt	<u>6,902,117</u>	<u>460,000</u>	<u>953,344</u>	<u>6,408,773</u>
Capital Lease	47,815	-	47,815	-
WPPI loan	33,144	-	3,399	29,745
Compensated absences	211,799	76,027	-	287,826
Total Governmental Long-Term Debt	<u>\$ 7,194,875</u>	<u>\$ 536,027</u>	<u>\$ 1,004,558</u>	<u>\$ 6,726,344</u>
	Balance 1/1/12	Issued	Retired	Balance 12/31/12
Business-Type Activities				
General obligation notes	\$ 832,115	\$ -	\$ 254,263	\$ 577,852
WPPI loan	134,666	-	16,159	118,507
Mortgage revenue bonds	10,365,489	142,870	430,488	10,077,871
Total bonds and notes	<u>11,332,270</u>	<u>142,870</u>	<u>700,910</u>	<u>10,774,230</u>
Compensated absences	141,761	-	15,068	126,693
Total Business-Type Activities	<u>\$11,474,031</u>	<u>\$ 142,870</u>	<u>\$ 715,978</u>	<u>\$10,900,923</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2012 was \$15,806,315. Total general obligation debt outstanding at year-end was \$6,986,625.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. LONG-TERM OBLIGATIONS (Continued)

The following is a list of long-term obligations at December 31, 2012:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/12	Amounts Due within One Year
Governmental Activities						
General Obligation Debt						
2003 General Obligation Notes	4/1/2003	4/1/2013	1.3%-3.5%	\$ 350,000	\$ 41,700	\$ 41,700
2003 General Obligation Notes	10/1/2003	4/1/2013	1.4%-4.0%	297,000	62,000	62,000
2005 General Obligation Notes	8/9/2005	4/1/2015	3.50-3.80%	1,545,000	945,448	207,537
2007 G.O. Community Development Bonds	10/25/2007	4/1/2027	5.6%-6.3%	930,000	930,000	35,000
2007 G.O. Community Development Bonds	5/30/2007	4/1/2027	3.7%-4.25%	2,860,000	2,650,000	65,000
2009 G.O. (2008B NAN refunded)	4/30/2009	4/1/2027	2.30-5.10%	1,205,000	1,055,000	55,000
2011 STFL Loan	7/12/2011	3/15/2017	3.75%	144,000	120,725	22,402
2011 STFL Loan	7/12/2011	3/15/2021	3.75%	159,000	143,900	13,739
2012 Taxable General Obligation Bond	5/24/2012	10/1/2027	1.25%-3.90%	460,000	460,000	25,000
					<u>6,408,773</u>	<u>527,378</u>
Other Long-Term Debt						
WPPI Note	10/1/2011	10/1/2021	0.00%	33,994	29,745	3,399
Total Governmental Long-Term Bonds and Notes					<u>\$ 6,438,518</u>	<u>\$ 530,777</u>

General Obligation Debt (Continued)

The purpose of governmental activities long-term debt is to finance various capital improvements and Tax Incremental District planned projects. Debt service requirements to maturity are as follows:

Governmental Activities			
Long-term notes and bonds			
Years	Principal	Interest	Total
2013	\$ 530,777	\$ 267,073	\$ 797,850
2014	604,851	241,854	846,705
2015	611,256	219,336	830,592
2016	328,744	201,710	530,454
2017	330,273	188,998	519,271
2018-2022	1,822,617	723,625	2,546,242
2023-2027	2,210,000	269,002	2,479,002
	<u>\$ 6,438,518</u>	<u>\$ 2,111,598</u>	<u>\$ 8,550,116</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. LONG-TERM OBLIGATIONS (Continued)

Proprietary Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/12	Amounts Due within One Year
Business-Type Activities						
General Obligation Debt						
Electric and Water						
2003 General Obligation Notes	4/1/2003	4/1/2013	1.30-3.50%	\$ 500,000	\$ 58,300	\$ 58,300
2003 General Obligation Notes	10/1/2003	10/1/2013	1.40-4.00%	\$ 473,000	143,000	143,000
2011 General Obligation Notes	6/28/2011	6/28/2021	3.27%	\$ 330,000	297,000	33,000
Subtotal electric and water general obligation debt					498,300	234,300
Mortgage Revenue Bonds						
2005 Mortgage Revenue Bonds	8/30/2005	5/1/2025	3.2-4.75%	3,250,000	2,700,000	100,000
2007 Mortgage Revenue Bonds	5/30/2007	5/1/2027	4.0-4.125%	2,615,000	2,365,000	105,000
2009 Revenue Bonds	9/24/2009	5/1/2022	2.40-4.70%	935,000	905,000	35,000
Total Electric and Water long-term notes and bonds					6,468,300	474,300
Sewer Utility						
2005 General Obligation Notes	8/9/2005	4/1/2015	3.50-3.80%	130,000	79,552	17,463
Subtotal sewer general obligation debt					79,552	17,463
Other Long-Term Debt						
WPPI Loan	3/25/2010	3/25/2020	0%	161,600	118,507	16,160
Mortgage Revenue Bonds						
2005 Clean Water Fund Debt	7/27/2005	5/1/2025	2.37%	1,602,737	1,124,677	74,906
2009 Clean Water Fund Debt	11/25/2009	5/1/2029	2.67%	50,000	2,983,194	140,976
Total Sewer long-term notes and bonds					4,305,930	249,505
Total Business-Type Activities long-term notes and bonds					\$ 10,774,230	\$ 723,805

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. LONG-TERM OBLIGATIONS (Continued)

The purpose of business type activities long-term debt is to finance capital improvements. Debt service requirements to maturity are as follows:

Years	Long-term notes and bonds		
	Principal	Interest	Total
2013	\$ 723,805	\$ 370,203	\$ 1,094,008
2014	611,618	347,935	959,553
2015	632,295	327,227	959,522
2016	622,070	306,217	928,287
2017	643,041	284,705	927,746
2018-2022	3,479,185	1,065,528	4,544,713
2023-2027	3,638,127	394,554	4,032,681
2028-2029	424,089	11,389	435,478
	<u>\$ 10,774,230</u>	<u>\$ 3,107,758</u>	<u>\$ 13,881,988</u>

Other Debt Information

Estimated payments of accumulated employee benefits, leases and other commitments are not included in the above debt service requirements schedules.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

General long-term obligations do not include water and sewer fund revenue bonds or bond anticipation notes issued in accordance with Wisconsin Statutes. The revenue bonds are secured by water and sewer revenue and are payable solely from water and sewer revenue of the water and sewer funds. The bonds do not constitute general indebtedness of the City.

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the revenue bonds:

Insurance

The utilities are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year. Expiration for the following policies is September 1, 2012.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. LONG-TERM OBLIGATIONS (Continued)

Insurance (Continued)

The utilities are covered under the following insurance policies at December 31, 2012:

Type	Coverage
Valuation Policy	
Buildings, Personal Property, Inland Marine Floater & Property in the Open	\$ 28,674,935
Contractors Equipment	1,305,959
Monies and Securities	5,000
Accounts Receivable	20,000
Business Income	18,600
Motor Vehicle Comprehensive and Collision Group 1	358,212
Motor Vehicle Comprehensive and Collision Group 2	1,787,676

Debt Coverage – Water and Sewer-Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service of the bonds. The coverage requirement was met for electric and water and short for sewer as follows:

	Electric and	
	Water	Sewer
Annual debt service 2005 CWFL	\$ -	\$ 100,639
Annual debt service 2009 CWFL	-	217,327
Annual debt service 2005 bonds	222,763	-
Annual debt service 2007 bonds	199,006	-
Annual debt service 2009 bonds	58,010	-
Total debt service	479,779	317,966
Ratio	125%	110%
Net Revenues required	\$ 599,724	\$ 349,763
REVENUES		
Charges for Services	\$ 8,770,083	\$ 699,967
Other Operating Revenues	2,202	19,434
Total Operating Revenues	8,772,285	719,401
OPERATING EXPENSES		
Operation and Maintenance	7,272,536	392,347
Total expenses for coverage ratio calculation	7,272,536	392,347
Net from operations for coverage ratio calculation	1,499,749	327,054
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	55,339	16,039
Miscellaneous Non-Operating Revenue	28,202	688
Capital Contributions and impact fees received	28,969	-
Net Revenues per bond ordinance	\$ 1,612,259	\$ 343,781
Net Revenues Above Required Amount	\$ 1,012,535	\$ (5,982)

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. LONG-TERM OBLIGATIONS (Continued)

Number of Customers – Water

The utility has the following number of customers and billed volumes for 2012:

	Customers	Sales (000 gals)
Residential	2,312	92,158
Commercial	200	14,805
Industrial	12	6,291
Public Authority	24	5,312
	<u>2,548</u>	<u>118,566</u>

E. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

At the end of the 2012, the various components of deferred inflows of resources reported in the governmental and proprietary funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Funds			
Property taxes receivable	\$ -	\$ 2,633,548	\$ 2,633,548
Special assessments not yet due	160,995	-	160,995
Loan receivable	280,000	-	280,000
TIF advance interest	147,676	-	147,676
Crime prevention fund	3,258	-	3,258
Total Deferred Inflows of Resources For Governmental Funds	<u>\$ 591,929</u>	<u>\$ 2,633,548</u>	\$ 3,225,477
less special assessments and loan accrued for government-wide statements			(440,995)
Deferred Inflows-government wide statements			<u>\$ 2,784,482</u>
Proprietary Funds			
Wind turbine power	\$ 207,900	\$ -	\$ 207,900
Construction advances	20,506	-	20,506
Regulatory credit	312,073	-	312,073
ATC advance	26,942	-	26,942
Water impact fees	20,400	-	20,400
Other deferred inflows	4,249	-	4,249
Total Deferred Inflows of Resources for Proprietary Funds	<u>\$ 592,070</u>	<u>\$ -</u>	<u>\$ 592,070</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

F. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

Net position reported on the government-wide statement of net position at December 31, 2012 includes the following:

	Governmental	Water and Light	Sewer	Stormwater	Total Business-type
Capital assets	\$ 7,883,714	\$ 16,752,877	\$ 13,061,600	\$ 247,574	\$ 30,062,051
less current portion LT debt	(530,377)	(574,300)	(249,505)	-	(823,805)
less LT debt	(5,908,141)	(5,994,000)	(4,056,425)	-	(10,050,425)
less deferred regulatory credit	-	(312,073)	-	-	(312,073)
plus bond reserve	-	759,403	-	-	759,403
plus debt for non-capital items	1,232,392	-	-	-	-
Net investment in capital assets	<u>\$ 2,677,588</u>	<u>\$ 10,631,907</u>	<u>\$ 8,755,670</u>	<u>\$ 247,574</u>	<u>\$ 19,635,151</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

F. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (Continued)

The following is a detail schedule of ending fund balances as reported in the fund financial statements.

	<u>Non- spendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund:					
Advances (net of deferred interest)	\$ 801,449	\$ -	\$ -	\$ -	\$ -
Revolving loan	-	76,157	-	-	-
Building improvement grant	-	10,700	-	-	-
Prepaid expenses	29,002	-	-	-	-
Delinquent personal property taxes	14,566	-	-	-	-
Unassigned	-	-	-	-	1,362,625
Total General Fund	<u>845,017</u>	<u>86,857</u>	<u>-</u>	<u>-</u>	<u>1,362,625</u>
Debt Service Fund:					
Advances	579,706	-	-	-	-
Future debt service	-	-	-	57,199	-
Total Debt Service Fund	<u>579,706</u>	<u>-</u>	<u>-</u>	<u>57,199</u>	<u>-</u>
Capital Projects Fund:					
Unassigned (Deficit)	-	-	-	-	(1,058,279)
Total Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,058,279)</u>
TIF 5:					
Unassigned (Deficit)	-	-	-	-	(1,823,584)
Non-Major Governmental Funds:					
EMS	-	54,365	125,069	-	-
Cemetery	-	-	70,351	-	-
Library	-	-	101,266	-	-
TIF 6	-	-	-	320,791	-
TIF 7	-	-	-	261,466	-
TIF 8	-	-	-	68,288	-
Total Non-Major Governmental Funds	<u>-</u>	<u>54,365</u>	<u>296,686</u>	<u>650,545</u>	<u>-</u>
Grand Total	<u>\$ 1,424,723</u>	<u>\$ 141,222</u>	<u>\$ 296,686</u>	<u>\$ 707,744</u>	<u>\$ (1,519,238)</u>

The TIF deficit is anticipated to be recovered through future tax increments. The unassigned deficit in the capital projects fund is for capital expenses financed by TIF proceeds.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

G. RESTATEMENT OF NET POSITION

In 2012 the City implemented new accounting standards that require restatement of net position for any previously unamortized debt issuance costs. Net Position was restated for this adjustment as follows:

Business Net Position- December 31, 2011 (as reported)	\$	23,037,689
Less: Adjustment: Unamortized Debt Issuance Costs		<u>(112,194)</u>
Net Position- January 1, 2012 (as restated)	\$	<u>22,925,495</u>
Governmental Net Position- December 31, 2011 (as reported)	\$	2,358,227
Less: Adjustment: Unamortized Debt Issuance Costs		<u>(77,439)</u>
Net Position- January 1, 2012 (as restated)	\$	<u>2,280,788</u>
Electric & Water Fund Net Position- December 31, 2011 (as reported)	\$	12,442,707
Less: Adjustment: Unamortized Debt Issuance Costs		<u>(112,196)</u>
Net Position- January 1, 2012 (as restated)	\$	<u>12,330,511</u>

NOTE IV – OTHER INFORMATION

A. EMPLOYEE’S RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year (440 hours for teachers and school district educational support employees) are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

Covered employees are required by statute to contribute one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.00%

The payroll for the City of Evansville employees covered by the WRS the year ended December 31, 2012 was \$1,881,370; the employer's total payroll was approximately \$2,159,513. The total employer required contribution for the year ended December 31, 2012 was \$127,777, 6.8% of covered payroll. The total employee required contribution for the year ended December 31, 2012 was \$111,116, 5.9% of covered payroll. The employees’ actual contribution for 2012 was \$74,889, 4.0% of covered payroll. The employer contributed the remainder on behalf of the employees. Total contributions for the years ending

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

A. EMPLOYEE'S RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN
(Continued)

December 31, 2011 and 2010 were \$252,325 and \$240,015 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. Participants employed prior to 1990 are immediately vested. Employees beginning participation on or after January 1, 1990 and who are no longer actively employed on or after April 24, 1998, creditable service in each of the five years is required for eligibility for a retirement annuity. Participants employed on or after April 24, 1998 are immediately vested. Participants hired after June 30, 2011 are fully vested after five years.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

C. REGULATORY CREDIT

In 2004 the Public Service Commission of Wisconsin required regulated utilities to create a deferred regulatory credit account. The amount of the credit was equal to the estimated accumulated depreciation on contributed utility plant as of December 31, 2003. The credit has the effect of reducing the rate base used by the Commission in approving user rates charged by the utilities. The credit is reported in the statement of net position as a liability. The credit is being amortized to non-operating income over a period of 20 years. As of December 31, 2012, the balance was \$312,073.

D. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the City Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

D. COMMITMENTS AND CONTINGENCIES (Continued)

State Budget

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

E. PURCHASED POWER CONTRACT

The Evansville Water and Light has a long-term contract and purchases its power from WPPI, Wisconsin Public Power Incorporated. Purchased power expenses were \$5,932,888.

F. EVANSVILLE FIRE DISTRICT

The City of Evansville is a participant in the Evansville Fire Protection District (“District”), along with the townships of Brooklyn, Magnolia, Porter and Union. The entire city is within the district. Only portions of the aforementioned townships are included. The District was created on January 1, 1996. The District Board consists of 6 trustees; one from each township and two from the City. The District owns the Fire equipment. A budget is adopted annually by the District and each municipality contributes to the District based on the respective portion of equalized value within the District.

For 2012, the City contributed \$209,520 to the District for dues. The City’s portion of the District’s 2013 budget is \$208,271. The District issues separate financial statements.

The City has a residual non-equity interest of approximately 57.5% in the District.

G. EVANSVILLE MEDICAL EMERGENCY SERVICES

The City of Evansville provides emergency medical services to the city and portions of the Towns of Union, Brooklyn, Porter and Magnolia. The contract with the participating townships requires a payment of \$20 per capita. For 2012, the City received payments from the Townships in the amount of \$64,806.

H. SUBSEQUENT EVENT

In 2013, the City borrowed \$2,765,000 in G.O. promissory notes. The purpose is to use approximately \$1.60 million for new construction and the remaining funds to refinance several general obligation borrowings. Principal is paid annually every April 1 from 2014 through 2022. Interest is paid semiannually on October 1 and April 1 from October 2013 through April 1, 2022. Interest rates vary from 0.40% to 1.60%.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2012

I. COMPONENT UNIT – HOUSING AUTHORITY OF THE CITY OF EVANSVILLE

This report contains the Housing Authority of the City of Evansville, which is included as a component unit. Financial information is presented as a discrete column in the government-wide statement of net position and statement of activities. The financial information is reported as of and for the year ended December 31, 2012. In addition to the basic financial statements that apply, the following additional disclosures are considered necessary for a fair presentation.

(a) Basis of Accounting/Measurement Focus

The Housing Authority follows the full-accrual basis of accounting and the flow of economic resources measurement focus. The economic resources measurement focus means all assets and liabilities are recorded on the statement of net position. Revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

(b) Cash and Cash Investments

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 at each depository. In addition the Wisconsin State Deposit Guarantee Fund insures deposits for up to \$400,000 per depository. The Authority had no deposits in excess of these limits. At year-end, the bank balance of the Authority's deposits was \$503,909. This included demand deposits of \$263,598 and CDs of \$240,311.

(c) Capital Assets

Capital assets included property, buildings, furniture and equipment. Capital assets are valued at historical cost or estimated historical cost. Donated assets are valued at fair market value at the date donated. Interest has not been capitalized. Depreciation is recorded using the straight-line method over the various lives of the assets which range from 3 to 40 years. A summary of the capital asset activity follows:

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2012</u>
Non-depreciable capital assets:				
Land	\$ 25,758	\$ -	\$ -	\$ 25,758
Other improvements	509,055	11,592	-	520,647
Depreciable capital assets	198,574	2,659	-	201,233
Less: accumulated depreciation	<u>(457,364)</u>	<u>(22,283)</u>	<u>-</u>	<u>(479,647)</u>
Net Book Value	\$ <u>276,023</u>	\$ <u>(8,032)</u>	\$ <u>-</u>	\$ <u>267,991</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Evansville, Wisconsin

**Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,060,672	\$ 1,060,672	\$ 1,060,672	\$ -
Other Taxes	17,111	17,111	13,051	(4,060)
Intergovernmental	796,155	796,155	795,061	(1,094)
License and Permits	70,310	70,310	87,946	17,636
Fines, Forfeits and Penalties	113,000	113,000	111,422	(1,578)
Public Charges for Services	378,277	373,023	381,725	8,702
Interest Income	12,848	12,848	14,156	1,308
Miscellaneous Income	48,500	48,500	47,510	(990)
Total Revenues	<u>2,496,873</u>	<u>2,491,619</u>	<u>2,511,543</u>	<u>19,924</u>
EXPENDITURES				
Current:				
General Government	505,671	505,671	494,677	10,994
Public Safety	1,331,550	1,339,964	1,339,982	(18)
Public Works	708,380	708,380	610,056	98,324
Health and Human Services	32,110	32,110	32,110	-
Culture, Recreation and Education	258,862	258,862	255,049	3,813
Conservation and Development	52,300	52,300	45,165	7,135
Total Expenditures	<u>2,888,873</u>	<u>2,897,287</u>	<u>2,777,039</u>	<u>120,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(392,000)</u>	<u>(405,668)</u>	<u>(265,496)</u>	<u>140,172</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (including tax equivalent)	<u>392,000</u>	<u>392,000</u>	<u>423,695</u>	<u>31,695</u>
Total Other Financing Sources and Uses	<u>392,000</u>	<u>392,000</u>	<u>423,695</u>	<u>31,695</u>
Net Change in Fund Balances	-	(13,668)	158,199	171,867
Fund Balances - Beginning	<u>2,136,300</u>	<u>2,136,300</u>	<u>2,136,300</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,136,300</u>	<u>\$ 2,122,632</u>	<u>\$ 2,294,499</u>	<u>\$ 171,867</u>

See accompanying notes to the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

City of Evansville, Wisconsin

**Non-Major Funds
Combining Balance Sheet
December 31, 2012**

	Special Revenue Funds			Capital Projects Funds			Non-Major Funds
	EMS	Library	Cemetery	TIF 6	TIF 7	TIF 8	
ASSETS							
Cash and Cash Equivalents	\$ 265,778	\$ 101,985	\$ 73,540	\$ 10,072	\$ 227,403	\$ 68,288	\$ 747,066
Receivables:							
Taxes	106,071	186,395	72,217	61,671	13,800	51,099	491,253
Special Assessments	-	-	-	-	165,076	-	165,076
Accounts	40,578	-	-	-	-	-	40,578
							-
Prepaid Expenses	3,428	4,925	1,031	-	-	-	9,384
Advances Receivable	-	-	-	432,354	-	-	432,354
Total Assets	<u>\$ 415,855</u>	<u>\$ 293,305</u>	<u>\$ 146,788</u>	<u>\$ 504,097</u>	<u>\$ 406,279</u>	<u>\$ 119,387</u>	<u>\$ 1,885,711</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 7,952	\$ 1,439	\$ 343	\$ 84	\$ -	\$ -	\$ 9,818
Accrued Liabilities	4,017	4,205	3,877	-	-	-	12,099
Advances Payable	118,381	-	-	121,551	-	-	239,932
Total Liabilities	<u>130,350</u>	<u>5,644</u>	<u>4,220</u>	<u>121,635</u>	<u>-</u>	<u>-</u>	<u>261,849</u>
Deferred Inflows of Resources	<u>106,071</u>	<u>186,395</u>	<u>72,217</u>	<u>61,671</u>	<u>144,813</u>	<u>51,099</u>	<u>622,266</u>
Fund Balance:							
Restricted	54,365	-	-	-	-	-	54,365
Committed	125,069	101,266	70,351	-	-	-	296,686
Assigned	-	-	-	320,791	261,466	68,288	650,545
Total Fund Balance	<u>179,434</u>	<u>101,266</u>	<u>70,351</u>	<u>320,791</u>	<u>261,466</u>	<u>68,288</u>	<u>1,001,596</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 415,855</u>	<u>\$ 293,305</u>	<u>\$ 146,788</u>	<u>\$ 504,097</u>	<u>\$ 406,279</u>	<u>\$ 119,387</u>	<u>\$ 1,885,711</u>

City of Evansville, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Funds
 For the Year Ended December 31, 2012

	Special Revenue Funds			Capital Projects Fund			Non-Major Funds
	EMS	Library	Cemetery	TIF 6	TIF 7	TIF 8	
REVENUES							
Property Taxes	\$ 105,693	\$ 186,395	\$ 67,353	\$ 79,429	\$ 2,992	\$ 51,949	\$ 493,811
Other Taxes	-	-	-	-	-	-	-
Special Assessment Revenue	-	-	-	-	26,203	-	26,203
Intergovernmental	69,458	61,184	-	2,039	-	1,192	133,873
Public Charges for Services	285,453	18,459	28,850	-	-	-	332,762
Interest Income	-	548	481	-	7,861	-	8,890
Miscellaneous Income	13,040	562	1,515	-	-	-	15,117
Total Revenues	<u>473,644</u>	<u>267,148</u>	<u>98,199</u>	<u>81,468</u>	<u>37,056</u>	<u>53,141</u>	<u>1,010,656</u>
EXPENDITURES							
Current:							
General Government	-	-	-	3,178	-	-	3,178
Public Safety	367,584	-	-	-	-	-	367,584
Health and Human Services	-	-	100,742	-	-	-	100,742
Culture, Recreation and Education	-	250,945	-	-	-	-	250,945
Conservation and Development	-	-	-	84	-	-	84
Capital Outlay	-	-	-	-	7,718	1,022	8,740
Interest Expense	2,526	-	-	5,788	-	-	8,314
Total Expenditures	<u>370,110</u>	<u>250,945</u>	<u>100,742</u>	<u>9,050</u>	<u>7,718</u>	<u>1,022</u>	<u>739,587</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>103,534</u>	<u>16,203</u>	<u>(2,543)</u>	<u>72,418</u>	<u>29,338</u>	<u>52,119</u>	<u>271,069</u>
OTHER FINANCING SOURCES (USES)							
Transfers Out	<u>(72,340)</u>	-	-	<u>(74,877)</u>	<u>(47,538)</u>	<u>(34,969)</u>	<u>(229,724)</u>
Total Other Financing Sources and Uses	<u>(72,340)</u>	-	-	<u>(74,877)</u>	<u>(47,538)</u>	<u>(34,969)</u>	<u>(229,724)</u>
Net Change in Fund Balances	31,194	16,203	(2,543)	(2,459)	(18,200)	17,150	41,345
Fund Balances - Beginning	<u>148,240</u>	<u>85,063</u>	<u>72,894</u>	<u>323,250</u>	<u>279,666</u>	<u>51,138</u>	<u>960,251</u>
Fund Balances - Ending	<u>\$ 179,434</u>	<u>\$ 101,266</u>	<u>\$ 70,351</u>	<u>\$ 320,791</u>	<u>\$ 261,466</u>	<u>\$ 68,288</u>	<u>\$ 1,001,596</u>